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UNCLAS SECTION 01 OF 02 SAN JOSE 001753

SIPDIS

SENSITIVE

WHA/CEN
EB FOR WCRAFT
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H FOR JHAGAN
STATE PASS TO USTR FOR AMALITO

E.O. 12958: N/A

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SUBJECT: PRO-CAFTA-DR COSTA RICAN OFFICIAL FIRED

REF: (A) SAN JOSE 00058
(B) SAN JOSE 01294

11. (U) Summary. On August 3, 2005, "El Financiero" reported that Amparo Pacheco, Vice Minister of the Ministry of Foreign Trade (COMEX) was fired, effective August 2, 2005, due to a lack of confidence from President Pacheco (no relation to the ex-Vice Minister) and COMEX Minister Manuel Gonzalez. The contributing factor to her firing, reportedly, was her strong opinion that the Administration should send the United States-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) to the Legislative Assembly as soon as possible, contrary to the President's position. Her exit marks the end of her 18 years at COMEX and the departure of the last remaining member of the team that negotiated CAFTA-DR. End Summary.

12. (U) Amparo Pacheco strongly advocated swift ratification of CAFTA-DR in various forums. Her articles explaining the text of the agreement, clarifying misconceptions, and refuting opposition-supported misinformation appeared in major newspapers almost daily. She attended numerous events hosted by non-government think tanks in which she was an effective advocate for CAFTA-DR. She was an integral part of COMEX's initiative to educate Costa Ricans about the agreement. As a government official, she clearly explained the advantages and challenges that CAFTA-DR would bring, as well as the need to implement an effective complementary agenda.

13. (U) Despite President Pacheco saying, in his weekly press conference on August 3, 2005, that Amparo resigned, Minister Gonzalez and Amparo herself confirmed to "La Nacion" that she was fired, primarily because of profound differences between her and the minister about how to proceed with CAFTA-DR. Amparo stated that she believes Minister Gonzalez is not defending the agreement strongly enough. An August 3, 2005, COMEX press release stated no details about the firing but mentioned who would be her replacement--Doris Osterlof Obregon--who served in COMEX under ex-President Oscar Arias, and was a consultant and principal advisor to the Chamber of Costa Rican Exporters (CADEXCO).

14. (U) Osterlof states that she supports CAFTA-DR but maintains that the decision of when to send it to the Assembly is that of the President. She, among others, was a promoter of the initiative "The Third Republic," a proposed development strategy for the country. This proposal included an in-depth dialogue with groups such as labor unions and other social groups of the country, some of whom are the strongest opponents of CAFTA-DR. "This is a country of dialogue," she said "and that is one of the best qualities of being Costa Rican; this means that whatever the process, we sit down and speak of national development with thoughtful people with varying opinions." She closed by saying that her work is to support Minister Gonzalez. (COMMENT: CAFTA-DR supporters have been surprised by CADEXCO's lack of participation in the debate. One senior CADEXCO official told Emboffs that their tepid support for CAFTA-DR was being rewarded by earning several CADEXCO members positions in COMEX that were vacated by officials who had "pushed CAFTA-DR too hard.")

COMMENT - THE PURGE IS COMPLETE

15. (SBU) Amparo's exit is the latest in a long list of departures from COMEX over the last year (Ref A). Hers is notable because (1) it marks the exit of the last COMEX official who was involved in the CAFTA-DR negotiations, and (2) it was forced upon her, as opposed to the mostly voluntary departures of her previous colleagues. The mass exodus started in September 2004, when then-COMEX Minister Alberto Trejos, along with other key members of his

Ministry and the President's cabinet, resigned, in part, because of President Pacheco's conditional support of CAFTA-DR. After Trejos's resignation, 7 of the 8 COMEX officials who negotiated CAFTA-DR also left, including the lead negotiator. During the first 5 months of 2005, 18 of the top 30 officials at COMEX also departed. This mass exodus left the organization much weaker in its public support of CAFTA-DR and with far less expertise in international trade issues.

16. (SBU) Minister Gonzalez commenced his tenure as COMEX Minister shortly after Trejos's departure and immediately began expressing conditional support for CAFTA-DR (Ref B). Many CAFTA-DR supporters in Costa Rica do not see him as an ally. He, reportedly, is not well liked or respected within the Ministry due to his uneven support for CAFTA-DR and a management style that stresses hierarchy over teamwork. The Ministry was increasingly seen as being divided into two camps: those supporting Amparo's strong and clear support for CAFTA-DR, and those following Minister Gonzalez's lead.

17. (SBU) It was very clear to Econoff that the relationship between Pacheco and Gonzalez was a strained one. There were several instances in which Gonzalez publicly questioned her authority and dismissed her comments. The most recent airing of their division occurred during a critical point in the CAFTA-DR debate in the U.S. House of Representatives when Gonzalez publicly denied GOCR support to modify the rules of origin for pocket-lining materials, despite the fact that Amparo had signed a letter agreeing to the modification two weeks prior. Amparo and others, including Costa Rican Ambassador to the U.S. Tomas Duenas, were able to convince Gonzalez to modify his statements and issue a letter supporting the changes the next day, but only after his public statements had done their damage.

18. (SBU) The naming of Pacheco's successor, Osterlof, appears to put in place someone with little trade experience who will follow in the Minister's footsteps and echo the President's tepid support for CAFTA-DR. It is clear that President Pacheco will no longer tolerate any subordinates who challenge his go-slow plan regarding CAFTA-DR ratification. NOTE: His reluctance to proceed is due to his fear of a general strike, street demonstrations, and unrest that have been threatened by labor union leaders if President Pacheco sends the agreement to the Assembly for debate and ratification.

19. (SBU) Opponents of CAFTA-DR undoubtedly see Amparo Pacheco's exit as a favorable development. With her departure the only remaining consistent and effective defender of CAFTA-DR in the Pacheco Administration is Ambassador Duenas, and labor union leaders are demanding that he be fired next. (Note: We doubt that President Pacheco would in fact fire Duenas as to do so, in the face of union demands, would make the President appear to be terribly weak.)

KAPLAN